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OGC-6402

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OGC REVIEW COMPLETED

28 September 1956

MEMORANDUM FOR: Mr. Houston

SUBJECT : GEHA Life Insurance Coverage

1. I have only the following substantive suggestions on the draft memorandum of 26 September, subject as above.
 - a. Suggest sentence 3 of paragraph 4a, "The Legal Question", read substantially as follows: "The Act specifically provides, however, that individuals must elect either the remedies available under the FEC Act or the payments or benefits to which they may be entitled under any other act.
 - b. It seems to me the legitimate point that GEHA can make, and doubtless will make, is that a volume of large claims could jeopardize the entire Agency insurance program either by Omaha cancelling the contract or by necessitating such an increase in premiums that Agency employees would decline to insure through GEHA. I should think we might like to meet this point by acknowledging its validity and agreeing that the Agency should not allow the danger to materialize. This the Agency could accomplish by some sort of self insurance arrangement, when and if the need arises, that is, if the GEHA experience develops in such a way that Omaha threatens to cancel or to require excessively increased premiums, the Agency could decide to make a contribution to GEHA, or have GEHA agree with Omaha so as to limit the total liability incurred by Omaha (with CIA to take up the rest). Further, if we maintain liaison with Omaha there should be no danger of cancellation or increased premiums without adequate warning. Suggest also that it might be desirable to recommend in this paper that the Agency now make this decision, that is, that if and when the insurance program is so endangered the Agency will take the necessary steps to protect it.
2. A number of minor points also.

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- a. With reference to paragraph 2b and others I wonder if we should acknowledge a difference between hazardous and extra hazardous missions. The terms are not readily susceptible of definition and surely no two persons within the Agency, much less GEHA and Omaha, would agree on the line to be drawn.
- b. Suggest "and none is written into the contract" be added to sentence ending on line 11, page 4.
- c. Suggest the sentence ending on line 14 of page 3 end "death, that is, whether accidental or natural."
- d. Suggest first sentence of paragraph 4b read: "Several months earlier General Counsel had discussed a number of similar questions with the BEC."
- e. Suggest last line of paragraph 4 end with ", at least until the BEC ruling is received."
- f. I wonder if it might not be well to note, perhaps in paragraph 5a that premiums for GEHA/Omaha policy holders are lower than those available elsewhere. Would it not also be well to note that one reason why it is possible to keep our premiums low is that the Agency pays the administrative costs of GEHA.
- g. With reference to paragraph 3b on page 5, the GEHA objection is against insuring employees who are not "true" employees, rather than those who are not "regular" employees.
- h. In recommendation 6a suggest the "fact of employment status" be substituted.

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 Assistant General Counsel

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